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## Canada

### Agricultural Situation

### This Week in Canadian Agriculture, Issue 23 2006

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**Report Highlights:**

Secretary Johanns and Canadian Minister of Agriculture Strahl Issue Joint Statement \* No Identified Risk to Canada from GE Rice: CFIA, Health Canada \* Talk of Double-Shifting the Brandon Manitoba Hog Plant Resurfaces \* Two Large-Capacity Canola Crushing Plants To Be Built in Yorkton, Saskatchewan \* Outlook is for Lower Canadian Apple Production and Higher Fresh Pear Output, but No Active Pursuit of Trade Case Against U.S. Apples \* Alcohol Sales Statistics Are Good News for U.S. Wine and Beer Exporters \* Quebec Facility to Close Under Conagra Rationalization Plan

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Includes PSD Changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Ottawa [CA1]  
[CA]

This Week in Canadian Agriculture is a weekly review of Canadian agricultural industry developments of interest to the U.S. agricultural community. The issues summarized in this report cover a wide range of subject matter obtained from Canadian press reports, government press releases, and host country agricultural officials and representatives.

*Disclaimer:* Any press report summaries in this report are included to bring U.S. readership closer to the pulse of Canadian developments in agriculture. In no way do the views and opinions of these sources reflect USDA's, the U.S. Embassy's, or any other U.S. Government agency's point of view or official policy.

**SECRETARY JOHANNIS AND CANADIAN MINISTER OF AGRICULTURE STRAHL ISSUE JOINT STATEMENT:** Secretary Johannis and Canadian Minister of Agriculture Chuck Strahl met this week in Washington. They discussed the newly proposed U.S. agricultural quarantine and inspection user fees, which the U.S. Department of Agriculture (USDA) intends to use to fund additional inspection staff at border points and airports, the temporary U.S. trade requirements on some Quebec agricultural products after Golden Nematode was found on a farm near Montreal, the most recent cases of Bovine Spongiform Encephalopathy (BSE) in Canada, the status of the delay to lift the USDA ban on Canadian cattle over 30 months of age, and the current challenges facing the international community after World Trade Organization negotiations were suspended this past July. The complete text of the joint press release is available on the websites of both USDA and Agriculture and Agri-food Canada.

**NO IDENTIFIED RISK TO CANADA FROM GE RICE: CFIA, HEALTH CANADA:** The Canadian Food Inspection Agency (CFIA) has released an update on the unintentional release of trace amounts of GE rice in the long grain rice in the United States. The line of genetically engineered rice in question is the LLRICE601, a line very similar to LLRICE62 which is approved for human consumption in the U.S. and Canada. In cooperation with the USDA and Bayer CropScience, CFIA and Health Canada have undertaken preliminary scientific risk assessments and have determined that there are no identifiable health, animal, or environmental safety risks. Health Canada and the CFIA continue to work with USDA and Bayer Crop Science to complete Canada's risk assessment. CFIA is working on validating testing methodology and, in cooperation with industry, developing an active verification program. The complete press release is available on the CFIA's website under the "What's New?" section.

**TALK OF DOUBLE-SHIFTING THE BRANDON MANITOBA HOG PLANT RESURFACES:** According to *Farmscape*, an on-line agriculture news service, Maple Leaf Foods President and CEO Michael McCain reaffirmed the goal to double shift the company's Brandon, Manitoba hog plant. McCain told *Farmscape* that the key to a double-shift at the plant, already one of the largest in Canada, is the construction of a new waste-water treatment facility. The company is reportedly working on a collaborative effort with the City of Brandon and a major biomedical company with a similar interest in a new waste facility. In the interview, McCain stated that it is much more cost efficient to run a plant at double-shift. He said that 17 of the top 20 plants in the United States are currently on a double-shift, but that only 3 of Canada's top 23 pork plants were. McCain said he was hopeful that a second shift would begin at Brandon in late 2007. *Comment: The Maple Leaf Brandon location opened in August 1999 and had originally targeted a double-shift within three years. Manitoba is currently the No. 1 exporter of live hogs and is expected to ship about 60% of the more than 8.0 million Canadian live hogs destined for the United States this year. Hog industry observers will closely watch any impact that a double-shift at Maple Leaf Brandon may have on western Canada's hog feeding industry and whether increased slaughter capacity would reduce the level of live exports.*

**TWO LARGE-CAPACITY CANOLA CRUSHING PLANTS TO BE BUILT IN YORKTON, SASKATCHEWAN:** James Richardson International Ltd and Louis Dreyfuss Canada have both announced intentions to build large-capacity canola crushing plants in Yorkton, Saskatchewan. These announcements have turned Yorkton, Saskatchewan into one of the canola-crushing capitals of Canada. James Richardson International Ltd announced plans to build a \$100-million state-of-the-art canola-crushing plant near Yorkton that will crush 840,000 tonnes a year. Louis Dreyfus Canada announced that construction of their \$90-million complex will begin in October and will crush 850,000 tonnes of the oilseed per year. While both the new plants' crushers will be devoted to oil for human consumption, they will have the capacity to crush oil for biofuels. Both companies have stated that the choice of location was based on access to both rail lines and good highways, as well as good

access to raw material near and around the plant. President Curt Vossen, when questioned on the role of incentives in JRI's decision to locate in Yorkton, stated the company's decision to build in Yorkton was dictated by the natural advantage of proximity and not governmental policy.

**OUTLOOK IS FOR LOWER CANADIAN APPLE PRODUCTION AND HIGHER FRESH PEAR OUTPUT, BUT NO ACTIVE PURSUIT OF TRADE CASE AGAINST U.S. APPLES:**

For 2006, the Canadian production of fresh apples is expected to fall almost 9% from last year's level while fresh pear output is forecast to increase significantly over the relatively poor outturn in 2005. Canada is the No. 2 market for U.S. exports of fresh apples and prospects for increased sales during MY2006/07 are favorable. U.S. fresh pear export prospects to Canada in the coming year will continue to be challenged by increased competition from Asian and South American product. Canadian apple industry organizations have backed off from their pursuit of trade action against U.S. fresh apples. Following the April 2006 negative injury finding on U.S. corn, Canadian apple industry officials concluded that parallels drawn between their prospective apple case and the corn case would probably result in a similar negative injury finding by the Canadian International Trade Tribunal. *Comment: Generally, Canadian apple growers are dissatisfied with the level of funding they receive through government income stabilization programs and often choose to target imports as the single source of their complaints.* For more information on the production and trade developments in Canada's fresh apple and pear industries, see the upcoming Deciduous Fruit Annual, CA6043 available soon through the FAS homepage.

**ALCOHOL SALES STATISTICS ARE GOOD NEWS FOR U.S. WINE AND BEER EXPORTERS:**

According to a study released by Statistics Canada, the value of wine sales in Canada reached C\$4.2 billion during 2004/05 and surpassed spirit alcohol sales for the first time. In total, liquor and beer outlets sold nearly C\$16.8 billion worth of alcoholic beverages during 2004/2005, up 3.8% from the previous year. In value terms, beer captured 50.4% of sales, wine accounted for 25.2%, while spirit sales accounted for 24.3% of total. The sales equate to a total of C\$638.60 per capita spent on alcoholic beverages in 2004/2005, up \$15 from the previous year with the per capita breakdown as follows: beer, C\$322.10; wine, C\$161.10 and; spirits, C\$155.40. The statistics include sales by sales by Canadian liquor authorities and their agents and wineries, breweries, and other outlets that operate under license from liquor authorities. The data do not include the total amount spent by consumers in licensed establishments that by their nature, charge higher prices. Red wines accounted for 54% of all sales of wines in Canada in 2004/2005, while white wines had 32% of the market (the balance vermouth, champagne, etc). The study showed that 80% of all red wines sold in Canada were from other countries. From 1994/1995 to 2004/2005, the value of sales of imported wines grew at an annual average rate of 9.1%, compared with 5.8% for Canadian products. Of all imported beer in Canada, 23.4% came from the United States, 20.5% from Mexico and 19.3% from the Netherlands. *Comment: Canada is the No. 1 market for U.S. exports of wine and beer (No. 2, if sales to EU-25 countries are combined). In calendar year 2005, U.S. wine and beer sales to Canada reached a record \$216.5 million and accounted for 25% of total U.S. wine and beer exports. U.S. wine and beer sales to Canada are on pace to exceed \$250 million during 2006.*

**QUEBEC FACILITY TO CLOSE UNDER CONAGRA RATIONALIZATION PLAN:** This week, ConAgra Foods Inc., announced the details of its plan to streamline manufacturing operations which included the announcement of the planned closure of a taco shell production facility in Laval, Quebec, marking ConAgra Foods' exit from this business. The plant closure in Canada was one of many operational changes announced by the company. For more information, consult the ConAgra website.

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